

Message Text

CONFIDENTIAL

PAGE 01 MANILA 00145 041050Z

20

ACTION EA-14

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE 00 SS-20 TR-08 OMB-01 CEA-02 CIAE-00

COME-*02 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 PM-07

FAA-00 CAB-09 DRC-01 SCEM-02 INT-08 NEA-10 /194 W

----- 016177

R 040940Z JAN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 0136

CONFIDENTIAL MANILA 0145

E.O. 11652: GDS

TAGS: EGEN, PGEN, RP

SUBJECT: FAR-REACHING MEASURES BY PRESIDENT MARCOS AT YEAR'S END

BEGIN SUMMARY: IN AN FLURRY OF YEAR-END MEASURES, PRESIDENT MARCOS TOOK DECISIVE ACTION (A) TO RESOLVE TWO OF THE COUNTRY'S LONGSTANDING PROBLEMS -- RATIFICATION OF THE LONG-DEFERRED RP-JAPAN ECONOMIC TREATY AND INTEGRATION OF THE PHILIPPINE AVIATION INDUSTRY; (B) TO CONCLUDE NEGOTIATIONS FOR ACQUIRING ESSO PHILIPPINES AND WITH IT A CONTROLLING INTEREST FOR GOVERNMENT IN THE COUNTRY'S LARGEST REFINERY; (C) TO CREATE THE PHILIPPINE NATIONAL OIL COMPANY BOTH TO MANAGE FORMER ESSO ASSETS AND TO LEAD THE COUNTRY'S EFFORT TO COPE WITH THE ENERGY CRISIS; (D) TO ORDER THE BEGINNING OF COMPENSATION PAYMENTS FOR LAND TRANSFERRED TO TENANTS UNDER THE AGRARIAN REFORM PROGRAM; AND (E) TO ELIMINATE THE STATE MONOPOLY ASPECTS FROM THE PHILIPPINE NATIONAL TRADING CORPORATION LAW. WITH THESE ACTIONS, "PRESIDENT MARCOS HAS CONVEYED AN IMAGE OF CONFIDENT LEADERSHIP, GIVING A CLEAR IMPRESSION THAT HE COULD TAKE SIMILAR MEASURES ON ECONOMIC

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANILA 00145 041050Z

AND OTHER ISSUES FACING THE PHILIPPINES IN OUR END SUMMARY.

1. THE LATTER PART OF DECEMBER WITNESSED A STRIKING FLURRY OF EXECUTIVE ACTIONS BY PRESIDENT MARCOS, MOST OF THEM TAKEN IN CLOSE COORDINATION WITH GOP'S LEADING

TECHNOCRATS, ATTACKING SEVERAL CONTROVERSIAL OR DIFFICULT PROBLEMS. PARTICULARLY NOTEWOJHY WAS HIS SUDDEN RATIFICATION ON DECEMBER 21 OF THE 13 YEAR OLD TREATY OF AMITY, COMMERCE AND NAVIGATION WITH JAPAN (MANILA 14348). HIS DECISION TO GO AHEAD WITH THE CONTROVERSIAL TREATY, DESPITE LONG-EXPRESSED PHILIPPINE DESIRE FOR MODIFICATIONS, TOOK MOST WORKING LEVEL OFFICIALS BY SURPRISE. IT REPRESENTED A MAJOR NEW EFFORT TO STRENGTHEN ECONOMIC TIES WITH JAPAN, PERHAPS AS A PRELUDE TO WORKING OUT NEW ECONOMIC RELATIONSHIPS WITH THE U.S. AFTER EXPIRATION OF LAUREL-LANGLEY.

2. AFTER A LONG SPATE OF FALSE STARTS BY GOP, THE PRESIDENT ALSO MOVED DECISIVELY AND SUDDENLY ON THE TANGLED ISSUE OF AIRLINE INTEGRATION, GIVING THE THREE AIRLINES JUST OVER ONE WEEK'S NOTICE TO CARRY OUT THIS COMPLEX UNDERTAKING (MANILA 14310). THE MOVE WAS APPARENTLY DECIDED PERSONALLY BY THE PRESIDENT WITH LITTLE STAFF WORK OR COORDINATION AMONG THE GOP AGENCIES INVOLVED. THE TRAVELING PUBLIC WAS ALSO DISCOMMODED AT THE END OF THE HOLIDAY TRAVEL SEASON. THE PRESIDENT HIMSELF, CAB AND OTHER AGENCIES ARE NOW TRYING TO PICK UP THE OPERATIONAL PIECES AFD RESOLVE MANY LEGAL, FINANCIAL, TECHNICAL AND ADMINISTRATIVE QUESTIONS WHILE RESTORING AIRLINE SERVICES.

3. THE PRESIDENT HAS ACTED WITH PARTICULAR VIGOR TO SET THE STAGE FOR DEALING WITH THE PETROLEUM SUPPLY CRISIS, IN THIS INSTANCE UTILIZING CAREFUL STAFF WOC BY

HIS TECHNOCRATS. MOST SIGNIFICATNT WAS THE PURCHASE OF ESSO PHILIPPINES AND CONTROLLING INTEREST IN BATAAN REFINERY CORPORATION (MANILA 14208), A TRANSACTION COMPLETED IN STRENUOUS NEGOTIATIONS AT A FORCED PACE, AND ANNOUNCED DECEMBER 21. ORGANIZATION OF PETROPHIL
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANILA 00145 041050Z

(PHILIPPINE NATIONAL OIL COMPANY--CREATED IN NOVEMBER) HAS ALSO BEEN PRESSED FORWARD AS HAVE IMPLEMENTING MOVES THROUGH RATIONING AND ALLOCATION ARRANGEMENTS TO KEEP PETROLEUM SUPPLIES MOVING TO ESSENTIAL USERS. GOP HAS ALSO CONDUCTED A DIPLOMATIC CAMPAIGN WITH SOME APPARENT SUCCESS TO IMPROVE THE PHILIPPINE POSITION REGARDING OIL SUPPLY FROM ARAB COUNTRIES. AT THE SAME TIME, RUMORS OF NEW INCREASES IN OIL PRODUCT PRICES IN THE PHILIPPINES

(BY ALMOST TWO-THIRDS ON PREMIUM GASOLINE) OFFERED LATE
BUT REAL HOPE THAT COMPANIES WOULD WORK WITH ENTHUSIASM
TO SOLVE CRUDE PROBLEM.

4. IN EFFORTS TO FURTHER THE AGRARIAN REFORM PROGRAM,
THE PRESIDENT MADE A SIGNIFICANT START IN RESOLVING
THE KNOTTY PROBLEM OF COMPENSATION FOR LANDLORDS (MANILA 14215)
AND IN STRENGTHENING THE FINANCIAL BASE OF THE LAND BANK
THROUGH EXPANDED FOREIGN BORROWING AUTHORITY AND OTHER
MEASURES (REPORTED SEPARATELY).

5. IN ANOTHER MOVE WITH INTERNATIONAL IMPLICATIONS,
UNCERTAINTIES ABOUT THE GOVERNMENT'S INTENTIONS
REGARDING POSSIBLE MONOPOLISTIC ACTIONS BY THE
PHILIPPINE INTERNATIONAL TRADING CORPORATION (PITC)
WERE RESOLVED BY AN AMENDATORY DECREE ISSUED DECEMBER 25
(MANILA A-360, 12/28/73). FINALLY, THE NEDA COUNCIL,
CHAIRED BY THE PRESIDENT, MET ON JANUARY 2 TO RESOLVE
A NUMBER OF ECONOMIC QUESTIONS INCLUDING RELIEF FOR
GOVERNMENT AND PRIVATE EMPLOYEES FROM THE INFLATIONARY
SQUEEZE (SEPTEL) AND FOREIGN EXCHANGE IMPLICATIONS OF
THE OIL SUPPLY CRISIS.

6. COMMENT: THE PRESIDENT'S ACTIONS DURING DECEMBER
DEMONSTRATE THAT HE CAN DEAL DECISIVELY WITH THORNY
DOMESTIC AS WELL AS INTERNATIONAL QUESTIONS, ALTHOUGH
IN SOME CASES RESULTS WERE MARRED BY INADEQUATE STAFF
WORK. THUS HE CONVEYED AN IMAGE, PROBABLY NOT UNINTENDED,
THAT HE COULD BE EXPECTED TO ACT WITH DISPATCH ON OTHER
OUTSTANDING ISSUES FACING THE PHILIPPINES IN 1974.

SULLIVAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, FOREIGN RELATIONS, PETROLEUM INDUSTRY, FCN AGREEMENTS, INVESTMENT LOANS, CONSORTIUMS, GOVERNMENT MONOPOLIES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA00145
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740162/aaaacglm.tel
Line Count: 145
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2002 by martinml>; APPROVED <17 DEC 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FAR-REACHING MEASURES BY PRESIDENT MARCOS AT YEAR'S END BEGIN SUMMARY: IN AN FLURRY OF YEAR-END MEASURES
TAGS: EGEN, RP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005